



CITY COUNCIL

AGENDA REQUEST

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| AGENDA OF: | 10-19-10 | AGENDA REQUEST NO: | IV-A |
| INITIATED BY: | JOE MORRIS, CITY ATTORNEY | RESPONSIBLE DEPARTMENT: | LEGAL |
| PRESENTED BY: | EUGENIA A. CANO, ASSISTANT CITY ATTORNEY | DEPARTMENT HEAD: | JOE MORRIS City Attorney <i>EAC for JDM</i> |
| | | ADDITIONAL DEPARTMENT HEAD (S): | N/A |
| SUBJECT / PROCEEDING: | ORDINANCE NO. 1802 ORDERING CENTERPOINT ENERGY HOUSTON ELECTRIC TO REDUCE ITS RATES ACCORDING TO THE GULF COAST COALITION OF CITIES' CONSULTANTS IN PUBLIC UTILITY COMMISSION OF TEXAS DOCKET NO. 38339 AND TO REIMBURSE THE RATE EXPENSES HOLD PUBLIC HEARING/FIRST AND FINAL READING OF ORDINANCE NO. 1802 | | |
| EXHIBITS: | ORDINANCE NO. 1802 LIST OF GCCC CITIES RATE COMPARISON CHART | | |
| CLEARANCES | | APPROVAL | |
| LEGAL: | EUGENIA A. CANO ASSISTANT CITY ATTORNEY <i>EAC</i> | EXECUTIVE DIRECTOR: | N/A |
| PURCHASING: | N/A | ASST. CITY MANAGER: | KAREN DALY <i>kd</i> |
| BUDGET: | N/A | CITY MANAGER: | ALLEN BOGARD <i>kd</i> FOR AB |
| BUDGET | | | |
| EXPENDITURE REQUIRED: \$ | | N/A | |
| CURRENT BUDGET: \$ | | N/A | |
| ADDITIONAL FUNDING: \$ | | N/A | |
| RECOMMENDED ACTION | | | |
| Hold public hearing and approve on first and final reading Ordinance No. 1802. | | | |

EXECUTIVE SUMMARY

On June 30, 2010, CenterPoint Energy Houston Electric, LLC (CenterPoint) filed a Statement of Intent to Increase Rates with the City. CenterPoint is seeking a \$111 million rate increase, which is an overall increase of approximately 5%. However, CenterPoint is proposing to increase residential rates by 16.18%. If approved, the increase would raise rates for the average residential customer by \$6.25 per month.

On July 20, 2010, the City Council suspended CenterPoint's proposed increase so that it could review the filing through its consulting attorneys and financial analysts as a member of the Gulf Coast Coalition of Cities (GCCC). The GCCC consists of 34 cities in Texas, which are listed in the attachment. CenterPoint has agreed to reimburse the GCCC legal and consulting expenses and we anticipate that the PUC will uphold that agreement.

CenterPoint's requested rate will be effective on November 2, 2010, unless the City acts to establish CenterPoint's rate on October 19, 2010. The GCCC consulting attorney, Lloyd Gosselink, is recommending a rate reduction of \$149 million from the current rate that is being charged or \$260 million less than what CenterPoint is proposing.

As an example of what this means in a residential customer's bill, based on 1000 kWh usage per month, the customer currently pays \$39.55, CenterPoint wants to increase that to \$45.23 and the GCCC recommends that it be reduced to \$36.50. A rate comparison of the various classes of customers is shown in the rate comparison chart attached to this Agenda Request.

The rate request was discussed with the City Council's Audit/Finance Committee on October 14, 2010. A public hearing must be held in accordance with the state statute. This ordinance is being recommended to be adopted on first and final reading in order to meet the deadline defined by State law.

CenterPoint will appeal the City Council's enactment of Ordinance No. 1802 and the appeal will be consolidated with the existing rate proceeding for the environs, which is in process. A PUC decision is expected in December.

EXHIBITS

ORDINANCE NO. 1802

AN ORDINANCE FINDING THAT THE EXISTING ELECTRIC DISTRIBUTION RATES OF CENTERPOINT ENERGY HOUSTON ELECTRIC LLC (CENTERPOINT) ARE UNREASONABLE AND SHOULD BE REDUCED; AND ORDERING CENTERPOINT TO REDUCE ITS EXISTING RATES WITHIN THE CITY, TO SUBMIT TARIFFS CONSISTENT WITH THE RECOMMENDATION OF THE GULF COAST COALITION OF CITIES' CONSULTANTS IN PUBLIC UTILITY COMMISSION OF TEXAS DOCKET NO. 38339, AND TO REIMBURSE THE CITY FOR ITS REASONABLE COSTS INCURRED IN THIS RATE CASE AND ANY RELATED RATEMAKING PROCEEDINGS OR APPEALS OF THOSE PROCEEDINGS; AND ORDERING THAT A COPY OF THIS ORDINANCE BE SERVED ON CENTERPOINT.

WHEREAS, the City of Sugar Land, Texas ("City") is a regulatory authority under the Public Utility Regulatory Act ("PURA") and pursuant to PURA § 33.001, the City has exclusive original jurisdiction over the electric rates, operations, and services provided within its city limits; and

WHEREAS, the City has the authority under PURA §§ 33.001 and 36.001, to determine whether the existing rates of an electric utility are unreasonable or in any way in violation of any provision of law; and

WHEREAS, on or about June 30, 2010, CenterPoint, pursuant to PURA §§ 33.001 and 36.001, filed with the City a Statement of Intent to change electric delivery rates in all municipalities exercising original jurisdiction within its service area effective August 6, 2010 (Statement of Intent); and

WHEREAS, by Resolution No. 10-35 enacted on July 20, 2010, the City Council suspended the effective date of CenterPoint's requested rate change and authorized participation with the Gulf Coast Coalition of Cities ("GCCC") in hiring experts and legal counsel to review CenterPoint's Statement of Intent; and

WHEREAS, GCCC's representatives obtained additional information from CenterPoint through written requests for information; and

WHEREAS, the GCCC's consultants and representatives have reviewed the rate filing package and responses to information requests and have recommended to the City the rates to be charged by CenterPoint within the City; and

WHEREAS, on October 19, 2010, a public hearing was held, at which time CenterPoint was given an opportunity to address the City Council regarding its current rates and its Statement of Intent to increase rates; and

WHEREAS, PURA § 36.151(a) provides that if a regulatory authority, on its own motion or on complaint by an affected person, after reasonable notice and hearing, finds that the existing rates of an electric utility for a service are unreasonable or in violation of law, the regulatory authority shall enter an order establishing the just and reasonable rates to be observed thereafter, and serve a copy of the order on the electric utility; and

WHEREAS, PURA § 36.151(b) provides that the rates thus ordered by the regulatory authority constitute the legal rates of the electric utility until changed as provided by PURA; and

WHEREAS, after affording reasonable notice and hearing to the CenterPoint, it is the City's opinion that the CenterPoint's current rates are not reasonable; and

WHEREAS, based upon such hearing, the briefing of staff, and the consultants' findings, the City has made a determination of the reasonableness of the existing rates of the CenterPoint, and has determined just and reasonable rates to be hereafter observed and enforced for all services of the CenterPoint within the City; NOW, THEREFORE,

**BE IT ORDAINED BY THE CITY COUNCIL
OF THE CITY OF SUGAR LAND, TEXAS:**

Section 1. That CenterPoint was given reasonable notice of the hearing held on October 19, 2010, and CenterPoint had a reasonable opportunity to show to the City that its rates were just and reasonable.

Section 2. That CenterPoint failed to show that its proposed or existing rates are just or reasonable.

Section 3. That the adjustments to the CenterPoint's Statement of Intent proposed by Mr. Lane Kollen on behalf of GCCC in Public Utility Commission of Texas ("PUC") Docket No. 38339 and provided to the CenterPoint on September 10, 2010 are reasonable and that it is, therefore, reasonable to reduce existing annual revenues by \$149 million.

Section 4. That within ten days of the adoption of this Ordinance, CenterPoint shall file with the City rate tariffs consistent with the adjustments proposed by Mr. Kollen and the cost allocation and rate design recommendations proposed by Mr. Clarence Johnson on behalf of GCCC in PUC Docket No. 38339 and provided to the CenterPoint on September 10, 2010 that will result in a reduction in current annual revenue of \$149 million. Such Tariffs shall constitute just and reasonable rates and establish the CenterPoint's overall revenues at an amount that will permit CenterPoint a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of the CenterPoint's reasonable and necessary operating expenses, in compliance with PURA § 36.151.

Section 5. That CenterPoint shall immediately begin charging the rates set forth in Tariffs that are consistent with the recommendations of GCCC witnesses Kollen and Johnson in PUC Docket No. 38339.

Section 6. That the existing rates, service charges, and tariff language not inconsistent with the recommendations of GCCC witnesses Kollen and Johnson in PUC Docket No. 38339 shall remain operative.

Section 7. That the City is authorized to intervene in any appeal of the City's action filed at the PUC and to otherwise participate in any litigation associated with the CenterPoint's rates charged in the City, in conjunction with GCCC.

Section 8. That within ten days of the adoption of this Ordinance, the CenterPoint shall reimburse GCCC for all ratemaking costs associated with GCCC's activities related to the rate proceeding and thereafter make prompt reimbursement on a monthly basis to cover the costs of appeals to the PUC or Courts, in accordance with PURA § 33.023.

Section 9. That a copy of this Ordinance shall be sent to the CenterPoint, care of Stephen Bezecny, Director, Regulatory Relations, CenterPoint Energy, Inc., 1111 Louisiana St., Houston, Texas, 77002 and to Thomas Brocato, at Lloyd Gosselink Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701.

Section 10. That it is hereby officially found and determined that the meeting at which this Ordinance is passed is open to the public as required by law and that public notice of the time, place and purpose of said meeting was given as required.

Section 11. That this ordinance is effective upon first consideration, five or more members of the Council having voted to dispense with the requirement that this ordinance be considered on two separate days after determining an emergency exists because there is an immediate need to preserve and protect the peace, health, safety, or welfare of the community.

APPROVED AND ADOPTED on first consideration on _____, 2010.

James A. Thompson, Mayor

ATTEST:

Glenda Gundermann, City Secretary

Reviewed for Legal Compliance:

Eugenia A. Cano

Estimated Bill Impacts

Typical Residential & Small Commercial (Total TDU Charges)

| | Current | Company Request | Company Increase | Pct. Incr. | As Proposed by GCCC | Proposed Decrease | Pct. Decr. |
|--------------------------|----------|-----------------|------------------|------------|---------------------|-------------------|------------|
| Residential 1000 Kwh | \$ 39.55 | \$ 45.23 | \$ 5.68 | 14.4% | \$ 36.50 | \$ (3.05) | -7.7% |
| Residential 1250 Kwh | \$ 47.56 | \$ 54.12 | \$ 6.56 | 13.8% | \$ 43.89 | \$ (3.67) | -7.7% |
| Small Commercial 500 Kwh | \$ 21.32 | \$ 23.55 | \$ 2.23 | 10.5% | \$ 17.94 | \$ (3.38) | -16% |

Average Monthly Base Revenues Per Customer

| | Current | Company Request | Company Prop. Change | Pct. Ch. | As Proposed by GCCC | Proposed Decrease | Pct. Decr. |
|----------------------|-------------|-----------------|----------------------|----------|---------------------|-------------------|------------|
| Large Commercial | \$ 431.24 | \$ 393.24 | \$ (38.00) | -8.8% | 379.24 | \$ (52.00) | -12% |
| Primary Voltage | \$ 5,555.37 | \$ 4,719 | \$ (836.37) | -15% | 4,885.53 | (669.83) | -12% |
| Transmission Voltage | \$ 29,053 | \$ 31,769 | \$ 2,716 | 9.3% | 26,590 | \$ (2,463) | -8% |
| Street Lighting | \$ 1,029.75 | \$ 1,168.00 | \$ 138.25 | 13.4% | 942 | \$ (87.31) | -8% |

| | Original Jurisdiction City |
|----|---------------------------------------|
| 1 | Alvin |
| 2 | Brazos Country |
| 3 | Bunker Hill Village |
| 4 | Clear Lake Shores |
| 5 | Deer Park |
| 6 | Dickinson |
| 7 | Friendswood |
| 8 | Fulshear |
| 9 | Galveston |
| 10 | Jersey Village |
| 11 | Lake Jackson |
| 12 | La Marque |
| 13 | Manvel |
| 14 | Missouri City |
| 15 | Rosenberg |
| 16 | Santa Fe |
| 17 | Seabrook |
| 18 | Simonton |
| 19 | South Houston |
| 20 | Spring Valley Village |
| 21 | Stafford |
| 22 | Sugar Land |
| 23 | Taylor Lake Village |
| 24 | Texas City |
| 25 | Tiki Island, Village of |
| 26 | Webster |
| 27 | Weston Lakes |

| | Non-Original Jurisdiction City |
|----|---|
| 28 | Hilshire Village |
| 29 | Kemah |
| 30 | Mont Belvieu |
| 31 | Morgan's Point |
| 32 | Nassau Bay |
| 33 | Piney Point Village |
| 34 | Tomball |